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SIPDIS

STATE FOR EAP/CM, STATE PASS CPSC RICHARD O'BRIEN

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SUBJECT: PRODUCT SAFETY TRUMPS FUN AND GAMES AT HONG KONG
TOY FAIR

REF: A. HONG KONG 2211

[1](#)B. HONG KONG 1989

[1](#)1. (SBU) Summary: Director of International Programs and Intergovernmental Affairs at the U.S. Consumer Product Safety Commission (CPSC) Richard O'Brien visited Hong Kong from January 4-9. He educated local manufacturers and exporters about the new U.S. Consumer Product Safety Improvement Act (CPSIA), and received feedback regarding CPSC's efforts to implement the revised regulatory framework mandated by the law. In meetings with HKG officials, industry associations and individual firms, O'Brien described the CPSIA's 2009 deadlines for reduced lead content in toys, the revised accreditation process for third party laboratories testing products shipped to the United States, and new restrictions on the composition of plastic components in consumer products. During O'Brien's visit, a senior PRC product safety official publicly acknowledged several shortcomings of mainland government bodies in ensuring the safety of consumer products made in China. The largest product testing labs told O'Brien that the CPSIA has not yet caused product testing capacity constraints. He conducted a media roundtable with local and international publications, provided interviews to local and regional television broadcasters, and provided interviews to Guangdong-based trade publications. O'Brien and EconOff also visited 300 booths at the Hong Kong Toy Fair to provide information about the CPSIA, and distributed cards with the CPSC website link that contains detailed information about U.S. consumer product safety requirements in both English and Chinese. Hong Kong interlocutors expressed their desire for a permanent CPSC presence here; O'Brien informed them that the CPSC recently requested permission to establish an office in Beijing. End summary.

[1](#)2. (SBU) Comment: O'Brien's visit was eagerly anticipated by HKG officials and Hong Kong's leading manufacturers and exporters. Hong Kong-based toy manufacturers especially appreciated the opportunity to pose detailed questions and express their concerns in person about the CPSIA's rigorous testing and product content rules. His visit reinforced our view that the CPSIA inadvertently provides a competitive advantage - at least in the near term - to larger and more sophisticated manufacturers in mainland China. Compared with their smaller rivals, the larger firms can better devote the resources necessary to ensure full compliance with the law (i.e. enhanced product testing, and adjustments to product component compositions), with compliance-related costs spread over a larger production base. Smaller Hong Kong-based firms continued to express nervousness regarding their ability to comply with new U.S. product safety regulations in a timely and cost-efficient manner (refs A and B).

Strong Interest from Manufacturers and Exporters

13. (U) At two major speaking engagements - an AmCham-arranged gathering of 35 procurement professionals from U.S. and Hong Kong-based firms, and a seminar at the Toy Fair attended by 600 individuals - O'Brien explained the CPSC's efforts to revise its regulatory framework in support of the CPSIA. He described the law's lowered limits on lead content, new rules restricting phthalate content (phthalates are additives that increase the flexibility of plastics), and tightened regulation of children's products and toys.

14. (U) O'Brien also described CPSC's efforts with European Union product safety officials to identify mutually compatible regulatory requirements, especially with regard to product testing and content limits on hazardous substances. These discussions could potentially form the basis for more harmonized product safety statutes in Europe and the United States. Audience members expressed strong support for such efforts. They commented that the paucity of internationally accepted product safety standards requires duplicative and "unnecessarily" costly product testing programs.

15. (SBU) AmCham event participants reiterated their December 2008 request to a visiting U.S. Congressional Staff delegation that the CPSC permanently post in Hong Kong and/or China an officer to field product safety inquiries and conduct educational outreach programs. O'Brien responded that the CPSC in October 2008 formally requested permission from the PRC's Ministry of Foreign Affairs to establish a two-person office (one American, one Chinese national) in Beijing that would have regional responsibility for Asia. The ministry has not yet responded to CPSC's request.

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Beijing Acknowledges Product Safety Deficits

16. (U) A senior PRC quality assurance official provided public statements at the Toy Fair that on surface supported stricter consumer product safety standards. Liu Xiang, Vice Director at the Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), told reporters that Beijing is developing incentives for toy producers to meet safety standards, in an effort to avoid further international product recalls and related damage to the reputation of PRC manufacturers. Strengthening safety standards would inevitably increase costs, but would also ensure only safe products were sold, according to Liu. The PRC government would be tightening the regulatory regime on toy safety and quality, implemented in August 2007, to boost consumer confidence and meet international practices, and is developing safety regulations for mainland-made electronics and home appliances, Liu said. Since the summer of 2007, said Liu, approximately 20,000 mainland-made toys had been recalled over safety hazards, with many found to contain toxic materials such as lead paint. Liu admitted that China "lags behind Europe and the U.S." on its product safety monitoring and enforcement capabilities. He said, "We need to step up our work on consumer product defect investigations, information collection, inspections, documentation of complaints, and our ability to serve consumers."

Hong Kong Customs Values Cooperation with CPSC

17. (SBU) During O'Brien's January 5 meeting with Hong Kong Customs Head of Trade Inspection and Verification S.M. Wong and Head of Trade Controls S.Y. Cheung, the officials explained that the HKG does not regulate the safety of consumer products exported from Hong Kong or transshipped through its ports. Cheung contrasted this approach with the PRC's AQSIQ that regulates and tests the safety of mainland China's consumer product exports. He said AQSIQ's laboratories currently conduct most of the testing on consumer products produced in mainland China, and he

questioned the reasonableness of CPSIA provisions that prevent U.S. importers from accepting those test results. O'Brien explained that unlike privately held labs, PRC government labs issue export licenses in addition to their provision of product testing services. The CPSIA prevents U.S. accreditation of government-owned labs that offer special government services or privileges.

¶18. (SBU) Wong and Cheung requested creation of a CPSC training program for Hong Kong Customs officials. The program would provide detailed information about CPSIA requirements, the CPSC's regulatory framework and activities in support of the new law, and USG enforcement efforts to ensure product safety compliance. O'Brien informed the HKG officials about the CPSIA's new provisions that authorize the CPSC to conduct training of foreign officials. He requested Wong and Cheung to request such training in writing, but he stated that CPSIA implementation has priority and it would likely be some months before any training could be scheduled. O'Brien said the CPSC would like to work in a "closer, more formal manner" with Hong Kong Customs.

Lab Operating Capacity Not Stretched

¶19. (SBU) At the annual Toys and Games Fair in Hong Kong, representatives of five leading consumer product testing companies told O'Brien that while enactment of the CPSIA had boosted their firms' respective revenues, their operations had not yet been stretched to capacity. Turnaround times for product testing remained five to ten days - unchanged from the period prior to enactment of the CPSIA in August 2008. In addition, sufficient numbers of technical and professional staff remain available for employment. The CPSC will continue to monitor turnaround times at product testing labs, in order to ensure that the CPSC's product content deadlines and testing requirements do not outstrip product testing capacity.

O'Brien's Additional Outreach Efforts in HK

¶10. (U) O'Brien received extensive media interest and coverage during his visit. He conducted a media roundtable discussion with local and international publications, as well as interviews with RTHK (local English language radio), NOW

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TV (local), and Phoenix TV (Hong Kong-based broadcaster reaching 150 million PRC viewers). O'Brien and EconOff also visited approximately 300 booths at the Toy Fair, in order to remind exporters and manufacturers about the CPSIA, and to distribute business cards with the CPSC website link containing information in both English and Chinese about U.S. consumer product safety compliance requirements.

¶11. (SBU) The HKG's Director General of the Trade and Industry Department, Joseph Lai, hosted a meeting for O'Brien and leaders of six major Hong Kong-owned toy and apparel manufacturers. Lai praised O'Brien's visit to Hong Kong as a "highly productive effort to reach out to local companies who might be struggling to comply" with the CPSIA. He said the HKG shares the USG's goals of improving the safety of toys and other consumer products. Lai was pleased to learn the CPSC has requested PRC permission to establish an office in Beijing, stating that the office would "facilitate communication about product safety among the HKG, PRC, USG and industry."

¶12. (U) This cable has been cleared by CPSC's Richard O'Brien.
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